

Qn. 1

(A) 100% of the issue was underwritten - Statement of underwriter's liability

Sr. No.	Particulars	No. of Shares
1)	Gross Liability	10,000
	Less: Applications Received	8,000
	Total Liability	2,000
2)	Gross Liability	10,000
	Less: Applications Received	10,000
	Total Liability	Nil
3)	Gross Liability	10,000
	Less: Applications Received	12,000
	Total Liability	Nil

(B) Statement of underwriter's liability

Sr. No.	Particulars	No. of Shares	
		M/S Broker	Unsecured
1)	Gross Liability	8,000	2,000
	Less: Applications Received	6,400	1,600
	Total Liability	1,600	400
2)	Gross Liability	8,000	2,000
	Less: Applications Received	-8,000	-2,000
	Total Liability	Nil	Nil
3)	Gross Liability	8,000	2,000
	Less: Applications Received	-9,600	-2,400
	Total Liability	Nil	Nil

(C) 80% of the issue was underwritten - Statement of underwriter's liability

Sr. No.	Particulars	No. of Shares
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		M/S Broker	Unsecured
1)	Gross Liability	8,000	2,000
	Less: Marked Applications	-5,500	-
	Less: Unmarked Applications	-	-2,500
	Balance	2,500	-500
	Excess credited to M/S Broker	-500	500
	Total Liability	2,000	Nil
2)	Gross Liability	8,000	2,000
	Less: Marked Applications	-7,000	-
	Less: Unmarked Applications	-	-3,000
	Balance	1,000	-1,000
	Less: Excess credited to M/S Broker	-1,000	1,000
	Total Liability	Nil	Nil
3)	Gross Liability	8,000	2,000
	Less: Marked Applications	-9,000	-
	Less: Unmarked Applications	-	-3,000
	Total Liability	Nil	Nil

Qn. 4

Statement showing liability of underwriters (Benefit of firm underwriting is not given to individual Underwriters)

Underwriters	A	B	C
Gross liability	20,000 (40,000 X 5/10)	12,000 (40,000 X 3/10)	8,000 (40,000 X 2/10)
Less: Marked applications	-16,000	-5,700	-8,300
	4,000	6,300	-300
Less: Unmarked applications	-1,000 (2,000 X 5/10)	(6,00) (2,000 X 3/10)	(4,00) (2,000 X 2/10)
	3,000	5,700	(7,00)
Excess of C distributed to A & B in the ratio of 20:12	-438	-262	700

Net liability as per agreement	2,562	5,438	Nil
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Qn. 8

Statement of Shares offered to General public

Particulars	Shares
Total number of shares issued	15,00,000
Less: 30% of Shares taken by the Promoters	-4,50,000
Shares offered to general public	10,50,000

Statement showing liability of underwriters

Underwriters	Aditya	Diwan	Anoop
Gross liability	6,30,000 (10,50,000 x 3/5)	2,10,000 (10,50,000 x 1/5)	2,10,000 (10,50,000 x 1/5)
Less: Marked Applications	-5,50,000	-2,00,000	-1,50,000
	80,000	10,000	60,000
Less: Unmarked Applications (50,000 in the ratio of gross liability 3:1:1)	-30,000	-10,000	-10,000
	50,000	Nil	50,000
Less: Firm Underwriting	-30,000	-20,000	-10,000
	20,000	-20,000	40,000
Surplus of Diwan distributed between Aditya and Anoop in the ratio of 3:1	-15,000	20,000	-5,000
Net liability	5,000	-	35,000
Add: Firm undertaking	30,000	20,000	10,000
Underwriters' liability	35,000	20,000	45,000

Journal Entries

No.	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
1	Aditya A/c (5,000 x 2.5) Dr.		12,500	
	Anoop A/c (35,000 x 2.5) Dr.		87,500	
	To Equity share capital A/c			1,00,000
	(Allotment of shares to underwriters: 5,000 shares to aditya and 35,000 shares to Anoop)			

2	Underwriting Commission A/c To Aditya A/c (6,30,000 x 10 x 4%) To Diwan A/c (2,10,000 x 10 x 4%) To Anoop A/c (2,10,000 x 10 x 4%) (Underwriting commission payable @4% on the amount of shares underwritten)	Dr.	4,20,000	2,52,000 84,000 84,000
3	Aditya A/c (2,52,000 – 12,500) Diwan A/c To Bank A/c (Amount paid to Aditya and Diwan in final settlement)	Dr. Dr.	2,39,500 84,000	3,23,500
4	Bank A/c (87,500 – 84,000) To Anoop A/c (Amount received from Anoop on shares allotted less underwriting commission)	Dr.	3,500	3500

Qn. 10

Statement of Shares offered to General public

Particulars	No. of Shares
Total number of shares issued	45,00,000
Less: 20% of Shares taken by the Promoters	-9,00,000
Shares offered to general public	36,00,000

In The Books Of Scorpio Ltd Statement Showing the Liability of Underwriters

Figures — No. of shares

Particulars	A & Co	B & Co	C & Co
Gross liability (36 Lakh Shares Equally)	12,00,000	12,00,000	12,00,000
Less: Marked applications	-7,25,000	-8,40,000	-13,10,000
	4,75,000	3,60,000	-1,10,000
Less: Unmarked applications (W. Note 2) (2.25 Lakh Shares Equally)	-75,000	-75,000	-75,000
	4,00,000	2,85,000	-1,85,000
Less: Firm Underwriting	-1,00,000	-1,00,000	-1,00,000
	3,00,000	1,85,000	-2,85,000
Less: Surplus of C & Co allocated to A & Co and B & Co equally	-1,42,500	-1,42,500	-2,85,000

Net liability	1,57,500	42,500	Nil
Add:- Firm Underwriting	1,00,000	1,00,000	1,00,000
Total liability	2,57,500	1,42,500	1,00,000

W Note 1

Working Notes:-1 Calculation of Unmarked Applications

Particulars	No of Applications
Total number of applications received	31,00,000
Less: Number of marked applications	-28,75,000
Unmarked applications (In Gross Liability Ratio)	2,25,000

Amount due from Underwriters

No.	Particulars	A & Co	B & Co	C & Co
1	Total Liabilities	2,57,500	1,42,500	1,00,000
2	Amount due @ Rs.12 per share	30,90,000	17,10,000	12,00,000
3	Less :- Application money on firm underwriting	-12,00,000	-12,00,000	-12,00,000
	Balance Receivables	18,90,000	5,10,000	Nil
4	Less: Commission due at 5% on nominal value of shares underwritten	-6,00,000 (12,00,000 x Rs 10 x5%)	-6,00,000 (12,00,000 x Rs 10 x5%)	-6,00,000 (12,00,000 x Rs 10 x5%)
5	Amount Receivable from Underwriter	12,90,000	-90,000	-6,00,000

Journal Entries in the books of Scorpio Ltd.

No	Particulars	L.F.	Rs.	Rs.
1	Bank A/c Dr. To Equity Share Application A/c (Being application money received on firm application for 1, 00,000 shares each @ Rs 12 each from A & Co., B & Co. and C & Co.)		36,00,000	36,00,000
2	A & Co A/c Dr. B & Co A/c Dr. Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Being the allotment of shares to A & Co - 2,		18,90,000 5,10,000 36,00,000	50,00,000 10,00,000

	57,500; B & Co. - 1, 42,500 and C & Co. -1, 00,000. Application money transferred to share capital account and securities premium account)			
3	Underwriting Commission A/c Dr. To A & Co A/c (12,00,000 x Rs 10 x5%) To B & Co A/c (12,00,000 x Rs 10 x5%) To C & Co A/c (12,00,000 x Rs 10 x5%) (Being underwriting commission payable @ 5% on 12,00,000 shares of Rs 10 each)		18,00,000	6,00,000 6,00,000 6,00,000
5	Bank A/c Dr. To A & Co A/c (Being the balance amount received from C & Co)		12,90,000	12,90,000
6	B & Co A/c Dr. C &Co A/c Dr. To Bank A/c (Being the amount paid to B & Co and C & Co after adjustment of underwriting commission)		90,000 6,00,000	6,90,000